

JPRS 78339

19 June 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2139



FOREIGN BROADCAST INFORMATION SERVICE

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CONTENTS

ALBANIA

Report on 1980 Plan Fulfillment, 1981 Plan and Budget (ZERI I POPULLIT, 27 Mar 81).....	1
Report of People's Assembly Plan and Budget Commission (Hamit Tago; ZERI I POPULLIT, 27 Mar 81).....	16

BULGARIA

State Controller Describes Inefficiency, Waste in Industrial Production (Ivan Markov; ANTENI, 13 May 81).....	20
Briefs Petrochemical Exports to Greece	23

CZECHOSLOVAKIA

Updated System of Export Incentives Discussed (Jaroslav Rod, Lubomir Nej1; HOSPODARSKÉ NOVINY, 3 Apr 81).....	24
Solutions To Reduce Number of Unfinished Projects Offered (Ladislav Carbol; HOSPODARSKÉ NOVINY, 24 Apr 81).....	30
Technological Development Financing Concepts Since 1981 Viewed (Milan Blatný; FINANCE A UVER, No 3, 1981).....	34

HUNGARY

Reform's Price Policies and Prospects Discussed (MAGYAR HIRLAP, 27 May 81).....	48
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REPORT ON 1980 PLAN FULFILLMENT, 1981 PLAN AND BUDGET

Tirana 1981 : POPULLIT in Albanian 27 Mar 81 pp 1-3

[Report on the fulfillment of the 1980 state plan and budget and on the Draft state plan and draft budget for 1981 presented by Petro Dede, chairman of the State Planning Commission, at the Sixth Session of the Ninth Legislature of the People's Assembly (on 26 Mar 81), in the name of the Council of Ministers: "On the Fulfillment of the 1980 State Plan and Budget and on the Draft State Plan and Draft Budget for 1981" passages between slantlines printed in boldface]

[Text] Comrade deputies:

An atmosphere of mobilization, of enthusiasm and of revolutionary impetus in work prevails everywhere in our fatherland, in cities and villages. It is linked with the great and enthusiastic good news, given by the Ninth Plenum of the Party Central Committee, on the convening of the Eighth Party Congress in Tirana on first of November and with the increased efforts of the working masses, under the leadership of the party, to go to this congress and to the jubilee celebration of the 40th anniversary of founding of the party with the richest balance-sheet possible of victories in all fields of the building of socialism and of the strengthening of the defense capacities of our country.

It is in such a wonderful revolutionary situation, when our socialist fatherland is marching with firm steps on the road of its economic and social progress, wisely and resolutely guided by the Albanian Workers Party and its Central Committee with Comrade Enver Hoxha at its head, that we are meeting at this session of the People's Assembly to legalize the plan tasks for the development of the economy and culture and the state budget for 1981.

With this plan--a component part of the Seventh Five-Year Plan (1981-1985)--a new phase is opened in the great heroic and glorious struggle carried out by our party and people, in their steel-like and unbreakable unity, for the complete building of the socialist society, fully relying on our own forces, and for confronting and defeating, as always with a total success, the difficulties and obstacles brought to us by the worsening of the class struggle in the international arena, by the savage imperialist and revisionist encirclement and blockade against our country.

The results achieved in all fields of the country's life in the recent years constitute incontestable evidence of the continuous quantitative increase and of the extensive changes carried out in an uninterrupted manner, leading Albania steadily toward the complete building of socialist society.

The economic and social progress of our country--a progress which does not have the negative phenomena of the capitalist and revisionist society--has as its foundation, as a permanent guaranty, the correct Marxist-Leninist policy of the party and the teachings of Comrade Enver Hoxha that have led our people from victory to victory, as well as the efforts of our working people tirelessly working to implement, persistently, the guidelines and directives of the Seventh Party Congress and of the recent plenums of its Central Committee. Also, it relies on the technical and material base built in our country, whose continual strengthening has provided more and more material, financial and monetary means so as to achieve an expanded reproduction with rapid rates.

With its achievements in the development of the economy and culture, with its correct Marxist-Leninist and principled policy carried out in its relations with other people and states and with its continuing struggle against imperialism and modern revisionism, Albania has become an invincible bastion of socialism and an illuminating beacon for all the people, small and large in number, who struggle for their national and social liberation and who aspire to socialism.

!

/On the Fulfillment of the 1980 State Plan and Budget/

During the past year, which also was the last year of the Sixth Five-Year Plan (1976-1980), our fatherland made new steps forward on the road to the building and defense of socialism. The volume of overall industrial production increased by 7.1 percent, compared to 1979; this is a 1.7 per rate than the average annual rate of the years 1976-1979, when production increased by an average of 5.8 percent. For the development of the economy, we had a volume of investments which was 8.4 percent higher than in 1979, compared to an average of one percent which was the rate of increase of the volume of investments in the four years, 1976-1979. The transportation of goods, exports and imports, and services for the people and so forth also developed at rapid rates.

In many important industrial products, the plan tasks were fulfilled and overfulfilled and the pace of their increase was higher than the pace of increase of the overall industrial production, such as in fuel, in the extraction of gas and coal and chrome, and in the production of carbonic ferrochromium, blister copper, ferro-nickel minerals, electric power, machines and pieces of equipment, spare parts, in some construction materials, knitwear articles, furniture and furnishings and so forth.

As a result of the particular care shown and the measures taken to strengthen the raw material base in industry, good results were obtained in the discovery of new mineral-rich areas of petroleum, and the tasks for increasing the industrial reserves of coal, chrome, copper ores, and ferronickel ores and so forth were fulfilled and overfulfilled, opened new prospects for the development of the mineral industry and for further improving the degree of assurance of the implementation of the plan tasks in the future.

Achievements in the field of industry are the fruit of the efforts of the heroic working class and of our engineers and specialists to advance production and the technical and scientific revolution, in accordance with the tasks assigned by the

the party at the Seventh and Eighth Plenums of its Central Committee, thus, solving many technical and technological problems of the projects submitted by Chinese revisionists.

Although last year was not a prosperous agricultural year, because of unfavorable atmospheric conditions, overall agricultural production was 2.4 percent greater than the average reached during the four years 1976-1979. Last year, we obtained more wheat, meat, eggs, fruit and so forth compared to 1979.

In the field of investments and of basic constructions, some important projects for the economy were built and put into operation. The putting into operation of the third turbine at the "Light of the Party" hydroelectric power station, the construction of the first stage of the plant for the production of refractory materials, and the construction of the Bailish-Fier-Gibson gas main and of the plant for the copper enrichment in Korce District, the land reclamation project of Karavastan; Vepel in Lushnje, the completion of the irrigation project of the Kephik plain in Shkoder, and the construction of the Lar-Lezhe railway line and of some social-cultural projects and so forth are some of the results which further strengthened the various sectors of the economy and culture with the necessary skills so as to assure the fulfillment of the tasks assigned. Work was carried out at rapid pace for the construction of many other new important projects which are expected to be put into operation in the first years of the Seventh Five-Year Plan.

Successes have also been achieved in the other branches of the economy. The volume of goods transportation increased by 4.4 percent compared in 1979; while, goods transportation by railway increased by 9.9 percent. The use of trailers was further expanded, as one of the most effective ways for increasing the volume of the transportation of goods by motor vehicles. Through socialist trade, the people were better provided with food and non-food goods and their use per capita was also increased. The circulation of retail goods, compared in 1979, increased about two times more quickly than the growth of the population; and improvements were made in the adjustment, repair and communal services for the people, increasing the volume of work in these sectors 2.7 times faster than the growth of the population.

Greater progress was obtained in the fields of education and culture. The number of students and youths graduating from the middle and higher schools with and without interruption of work was 11.9 percent greater than in 1979. Greater efforts were also made to strengthen measures for protecting the health of the people in cities and, especially, in villages.

Last year, on the basis of the tasks assigned by the Seventh Plenum of the Party Central Committee and of Comrade Enver Hoxha's teachings, the Council of Ministers took important measures to further improve the economic effectiveness, concentrating the attention of the government and economic organs on strengthening the system of savings in the field of expenditures, especially, on the best possible use of manpower and the reduction of costs in the various branches of material production and of the sectors of services.

As a result, the financial revenues of the state budget increased by 3.5 percent in comparison with 1979. From the enterprises of the Ministry of Industry and Mines and the Ministry of Light Industry and Food Industry alone, the state centralized net revenues and the enterprise net revenues increased by 488,000,000 leks, or 14.6 percent, more than in 1979.

On the basis of this, the normal financing of expenditures for the development of the economy and of social and cultural sectors and for strengthening the defense capacity of the country was insured, making possible, at the same time, to assure a surplus of incomes over the budget expenditures of more than 80,000,000 leks.

The results achieved in 1980 again tell about the vitality and stability of our economy versus the imperialist and revisionist pressure and blockade and show the complete failure of the efforts of Chinese revisionism which, openly lining up in the blockade against socialist Albania, unilaterally cut all its credits to and economic relations with our country.

In spite of these successes, in 1980 the tasks were not fully fulfilled, according to the plan, in some various branches and sectors of the economy and culture. Many of these failures to fulfill the plan are the result of the difficulties and obstacles which the imperialist and revisionist encirclement and economic blockade are creating for us. However, a great number of these failures are also linked to shortcomings and weaknesses in the organizational and managerial work of ministries, of district executive committees, of economic enterprises and agricultural cooperatives and to the insufficient measures which they have taken for fulfilling the plan tasks.

Certain shortcomings in regard to the plan [fulfillment] were noticeable, especially, these in agriculture, in the extraction of petroleum and coal and in some sectors of light industry and the food industry, in constructions and in exports. In order to overcome their consequences in the progress of expanded socialist reproduction, the party Central Committee and the Council of Ministers are forced to adopt special measures.

In regard to the failures to fulfill the plan for last year, the Council of Ministers analyzed and criticized the work with shortcomings and weaknesses carried out by the Ministry of Industry and Mines, the Ministry of Light Industry and the Food Industry, the Ministry of Agriculture, the Ministry of Construction and the Ministry of Foreign Trade, and took a number of measures so that the work of the government and economic organs will be elevated to the level of the tasks assigned by the party for a scientific management of the economy.

Comrade deputies:

These were some of the results achieved and some of the main problems that emerged during the fulfillment of the 1980 plan. Relying on the above-mentioned results in the development of the economy and culture for 1980 and of the Sixth Five-Year Plan in general, on the great work carried out by the working collectives in cities and villages and on the many studies made by the central organs in regard to the possibilities for the development of the various branches, and sectors of the economy and people's culture, the Council of Ministers compiled the draft plan for the development of the economy and culture for the Seventh Five-Year Plan and for 1981.

The new five-year plan will open new and brighter prospects for the economy and for our country on the road to the complete building of socialist society, on the basis of the principle of relying on their own forces. Production forces in all sectors and branches of the economy and culture will be developed at rapid paces, socialist relationships in production will be perfected on the revolutionary path, the defense capacity of the country will be further strengthened and a greater improvement of the living standards of our people will be attained.

The draft plan for this year, the first year of the Seventh Five-Year Plan, was examined by the Ninth Plenum of the Party Central Committee. After receiving the approval of the Party Central Committee, the Council of Ministers is presenting the state economic draft plan and draft budget for 1981 to this session of the people's Assembly, for legalization.

11

/On the Draft Plan for Economic and Cultural Development and the State Draft Budget for 1981/

The tasks of the draft plan for the development of the economy and culture and of the state draft budget for 1981 take into consideration not only the increasing needs of the people, of the economy and of defense, but also the real possibilities of the plan for implementing them. It is a balance plan both from the material and financial aspect, in harmony with the material resources and with their use, that is, with the needs for production consumption and for individual and social consumption, for exports, for the necessary accumulation which will go for expanded reproduction, for the defense of the country and for increasing material reserves in all links. The directives for converting financial accumulation into material accumulation, on the basis of the greatest effectiveness possible, are also established in the draft plan which is being presented.

On the basis of the expectations for the development of the various branches of material production, overall social production in 1981, compared to 1980, is expected to increase by 7.6 percent and national revenues by 8.9 percent. These are high rates and reflect great requirements for improving the effectiveness of the economy; but, they are necessary and are fully realizable.

In 1981, overall industrial production is expected to be 7.2 percent greater than in 1980. As always, priority will be given to the increase of production in the branches to heavy industry and, first of all, to the development of energy resources in industry.

Petroleum extraction is expected to be 19 percent greater than in 1980. The Council of Ministers, in determining the tasks for petroleum extraction, has taken into consideration that these tasks will be fulfilled by utilizing the existing petroleum-rich areas and those already discovered and known. In regard to this, measures and necessary funds were planned and established so that the increase of petroleum extraction will rely on the technical and material base and the required funds. Also, the Council of Ministers has advised the Ministry of Industry and Mines and the executive committees of the people's councils of the responsible districts to assure the fulfillment of the plan tasks by utilizing the existing petroleum-rich areas and those already discovered and known and to use the technical base of the petroleum industry with great effectiveness.

The implementation of the tasks for petroleum extraction in 1981 assigns, to the workers, cadres and specialists of this sector which is especially important for the economy, the duty of strengthening scientific discipline and of intensifying work in drilling--prospecting and drilling--exploiting activities, where, last year shortcomings and weaknesses were observed which, in some cases, have caused breakdowns with great consequences for the economy. They must work better in regard to the use and dissemination of supplementary rational methods for the effective exploitation of

petroleum and gas reserves. Concentrating our attention on the fulfillment of the tasks for the extraction of petroleum and gas, it is also necessary that studies be expanded and that work be further improved for discovering new petroleum and gas-bearing fields, implementing all the tasks stipulated by the plan in this direction.

The 1981 plan stipulates increasing tasks for the extraction of coal and the production of electric power. The Council of Ministers has assigned to the Ministry of Industry and Mines, the executive committees of the district people's councils and the mining enterprises, the task of improving the level of mechanization of work and organizing the extraction of coal on healthier scientific bases, in accordance with the conditions of every mining center, with the purpose that the impoverishment and losses that take place during the coal extraction process be reduced in a noticeable manner.

The increase of production by the energy resources industry during 1981 will be accompanied by the implementation of other measures so as to strengthen the system of savings in their use. Along with the improvement of norms for the use of fuel, liquid fuel, solid fuel, gas and electric power, a greater amount of work will also be carried out for improving and technical and technological processes in order to reduce consumption in a noticeable manner. It is the duty of all government and economic organs that these measures be fully implemented.

Increasing tasks are also stipulated in the 1981 draft plan for the other branches of the mineral industry, such as the chrome and steel branches, the "Steel of the Party" metallurgical combine, the chemical industry and the construction materials industry and so forth. They will be implemented mainly through the better utilization of production capacities in use.

The development of the machine industry, aiming at the best solution for the tasks assigned to it for improving the level to the technical equipping of the economy, at keeping in good condition the total pool of machines and pieces of equipment in use and at building new lines, units and plants with our forces, is one of the main tasks in 1981. The Council of Ministers and the ministries will continue to further expand centralization and cooperation in the production of the machine industry in order to assure a better utilization of production capacities of this branch of industry and the further improvement of the quality of products.

Also, the ministries and responsible machine enterprises, entrusted with tasks of cooperation in the production of machines and pieces of equipment are advised to take the necessary measures so that the planning, engineering and technical personnel of the research-scientific institutions and of the machine enterprises are properly assigned tasks for designing machines and pieces of equipment by the set deadlines and for adopting all the other measures linked with the assimilation of their production.

Along with the development of heavy industry, the draft plan provides for the development of light industry and the food industry at rapid paces. The production of consumer goods (group B) in 1981 will increase by 6.8 percent, or about three times quicker than the increase of the population. These tasks will be implemented through improvements to be carried out in the structure of consumer goods so as to better satisfy the needs of the people for quantity, assortments, quality, size and so forth. Also, important investments will be made, especially, in regard to the expansion of production capacities and the assimilation of some new products in light industry.

The Council of Ministers has drawn the attention of the Ministry of Light Industry and Food Industry to the strengthening of the struggle against manifestations of global fulfillment. To the pursuit of quantity at the detriment of quality, to the underestimation of the production of small articles, and to the shortcomings and weaknesses which become obstacles for fulfilling the plan and for satisfying the needs of the people. Also, the Ministry of Light Industry and the Food Industry, the Ministry of Communal Economy, the Ministry of Domestic Trade and the executive committees of the district people's councils will further increase their struggle against bureaucratic manifestations which hinder the production of new articles and new assortments, and especially, to encourage and further support initiatives for the utilization of their reserves for increasing production, based on raw materials and local materials, and the use of industrial "wastes," converting them into useful assets for the satisfaction of the people's needs.

In 1981, overall industrial production is expected to be 13.1 percent greater than in 1980. In some agricultural and livestock products, such as sunflower seed, cotton, potatoes, tobacco, milk and so forth, stipulated increases are even greater.

The Council of Ministers will continually have in mind the tasks assigned by the 1981 plan for the development of agriculture; it has set the tasks and will work so that the government and economic agricultural organs at the grassroots, in districts and in the center will further increase their mobilization and work for the fulfillment of the plan.

Many tasks with responsibility are set forth before the cooperative members and workers of agricultural enterprises. They are linked with the scientific treatment required for the land and with the best utilization possible of chemical and organic fertilizers, irrigation and agricultural machinery and so forth, so as to insure the planned yields. A special work is required from the Ministry of Agriculture and its dependent organs to improve agro-zootechnical measures and implement them on the basis of scientific data and advanced technology and of the good experience gained by many agricultural brigades, sectors and units. Also we must rapidly introduce the technological processes linked, especially, with the preparation of the fodder base for livestock and with the improvement of its effectiveness through the process of industrialization.

The technical-material base, which has been put at the disposal of agriculture, is a strong one and assures the satisfying of the plan tasks. However, this base would not be sufficient if it is not used with correct scientific criteria and great effectiveness. There are many examples showing that in those units where work has been carried out properly in this direction, the effectiveness of its utilization has been two times greater than in other units with comparable conditions. Therefore, the Ministry of Agriculture and the executive committees of the district people's councils, as recommended by the Ninth Plenum of the Party Central Committee, will radically improve their work to perfect the scientific management of agricultural units, to strengthen proletarian discipline in work and to implement all the necessary measures dealing with organized dissemination of advanced experience and with strengthening of control for its implementation.

The 1981 agricultural plan, just as in the previous years, has bread grains as the main link. However, concentrating on the struggle for grains, one must not think that the tasks for the production of industrial crops, for livestock, fruit growing

and so forth are less important. The complete fulfillment of the tasks in agriculture is the most important task for the Ministry of Agriculture and for its dependent organs, the aim of the measures that will be adopted for the perfection of the organization and scientific management of agricultural units. This requires that all the workers and state and economic organs of the agricultural sector become more aware and more responsible for the failures to fulfill the plan tasks and for the consequences that they have caused to the development of the economy. On the basis of the tasks of the 1981 plan, along with the accumulation fund there are also plans to increase the consumption fund. However, in order to meet the development of the economy and of culture, the accumulation fund is expected to increase more quickly than the consumption fund. On this basis, the investments for the state and cooperative sectors, taken together, are 5.8 percent greater than in 1980, while the investments for the sector of construction and assembly increase by 2.9 percent

During this year, work will be intensified on the projects under construction since last year and on the new projects which will be undertaken, with the purpose of reducing, to the maximum, their construction. Time as one of the main ways for improving the effectiveness of basic investments. It is expected that the larger part of the planned projects will be put into full operation, or into partial operation, during this year. The implementation of these tasks requires a further revolutionization of the method of management on the part of the Ministry of Construction, liquidating the manifestations of routine work and the liberal attitudes which become obstacles for giving a more effective assistance, and from closer range, to the construction enterprises.

The other sectors of the economy and culture are also expected to be increased. In the development of the transportation sector, priority has been given to the increase of the work volume of railway transportation. Along with the construction and putting into operation of the Lac-Leshe-Shkoder railway line on schedule, the Council of Ministers has adopted special measures for intensifying transportation by rail and made the Ministry of Communications face responsibility in regard to the elimination of the spirit of liberal negligence existing in this field and the tendencies to use the automobile transportation, while all the opportunities exist for the goods to be transported by rail.

With the tasks stipulated for increasing the circulation of retail goods and the communal repairs and services, the needs of the people for goods and services will be better satisfied. The organs of domestic trade and communal organs are assigned tasks for further improving the supply of goods in quantity and in structure and to expand the network of repairs and services, in accordance with the needs of the people.

The state plan and budget also stipulate tasks for the development of social and cultural sectors. In the framework of the tasks for the development of education and culture, particular attention will continue to be given to the improvement of the quality of teaching for a better ideological-political and technical-vocational training and to the physical and military tempering of students and youths, so as to make them most efficient workers and specialists in response to the needs of the economy. Also, important measures are stipulated for protecting and further invigorating the health of the people. In this field, efforts will be made to further improve the work of the health organs, especially, in regard to the best implementation possible of prophylactic measures in the health service.

In the field of expectations in regard to the development of material production branches and of other sectors of the economy, as well as the improvement of their effectiveness through the improvement of labor productivity and reduction of material expenditures for every unit of production, transportation and services, the revenues of the state budget for 1981 are expected to increase by 9.1 percent. To implement this task, measures have been taken and efforts are being made by every ministry, by the executive committee of the district people's councils and by every enterprise and cooperative for a more operational monitoring of financial indicators.

The expenditures of the state budget are expected to increase by 9.7 percent compared to 1980. About 59.6 percent of those expenditures will go for the development of the people's economy, 24.4 percent for social and cultural measures and 11.5 percent for the defense of the country.

Determining the tasks for the 1981 plan, the Council of Ministers has given guidelines and is adopting measures for further improving the work of the state and economic organs at the grassroots, in districts and in the center so that they will properly respond to the tasks of the state plan and budget for 1981.

III

Some main directions where the work of the government and economic organs will be concentrated for implementing the tasks of the plan and budget for 1981./

The Ninth Plenum of the party Central Committee, which developed its activities in February of this year, examining the 1981 draft plan, gave directives and set important tasks for the implementation of this plan. These tasks and those emerging from the important speech which Comrade Enver Hoxha delivered at this plenum, are being scheduled by all the links of management of the economy with the purpose of assuring their implementation.

In the framework of the comprehensive work to be carried out for implementing the decisions of the Ninth Plenum of the Party Central Committee and for fulfilling the 1981 plan, the Council of Ministers has taken measures and will work so that the concern and attention of the government and economic organs at the grassroots, in districts and in the center be concentrated on some main directions:

/1/ On the adoption of measures for further strengthening discipline and responsibility for the total fulfillment of all the tasks of the plan by every link of the economy./

It is a general characteristic that the people are working everywhere with a feeling of responsibility and with mobilization to fulfill the plan. However, in 1980 and in the other years of the Sixth Five-Year Plan there were failures to fulfill the plan on the part of some economic enterprises and agricultural cooperatives stemming from the lack of plan discipline and from the lack of responsibility toward entrusted tasks.

For fulfilling the 1981 plan in all its economic and financial indicators, the necessary measures to insure this implementation have been stipulated. In regard to this matter, special work was carried out during the drafting of the plan to assure better coordination between production and supply, for a more complete utilization of existing production capacities, for a quicker assimilation of new production capacities, for strengthening material reserves and for assuring regularity in production and so forth.

But, the Council of Ministers will continue its work so that the government departments and the executive committees of the district people's councils will raise their work to the level of the requirements set by the party for fulfilling the plan in all economic, technical and economic and financial indicators.

In this direction, it is necessary for the ministries, the executive committees of the district people's councils, the economic enterprises and agricultural cooperatives to better organize their work so as to monitor the fulfillment of the plan and to be ready, with measures at hand, to confront the problems which emerge during the process of the plan fulfillment, with the purpose of preventing the creation of shortcomings in the plan or of covering them within the shortest time possible when they have taken place.

For this, measures are continually being taken for expanding work through analyses in all levels of the state and economic management and for an operational monitoring and solving of the problems that emerge. Along with this, work is being carried out to implement the other measures promulgated by special decisions of the Council of Ministers which raise the interest and responsibility of every worker, whether he is a production worker or a management worker, for the complete fulfillment of the plan tasks. All these measures will lead to the assurance of unity between the plan and its fulfillment, based on the tasks assigned by the Ninth Plenum of the Party Central Committee.

In the framework of complete fulfillment of the plan tasks in all indicators by all firms, the Council of Ministers advises that, along with greater efforts to fulfill the tasks by the branches of material production, the attention and concern of the government and economic organs be concentrated on the fulfillment of the tasks for export.

It must be thoroughly understood by everyone that our economy, which progresses on the basis of the principle of relying on its own forces, does not develop as a closed economy on the contrary, it also produces for export so as to import raw materials, machinery and other goods needed and necessary for the economy and the people. Last year, the failure to fulfill the tasks for export influenced the failure to fulfill the plan for the import of some goods and raw materials, thus, creating difficulties for the fulfillment of the plan in some branches and sectors of the economy.

In 1961, the tasks for export are greater than those of last year. The fulfillment of export tasks in quantity and quality by all producers will be in the center of the attention of the ministries and the executive committees of the district people's councils. They are taking all the necessary measures for further improving the quality of goods for export and for packaging and presenting them in a better way.

The Council of Ministers has also set the tasks for the Ministry of Foreign Trade and for its dependent organs, especially, in regard to increasing their efforts so as to expand the sale markets for the profitable sale of export goods, to deliver them in a timely and to assure the import of goods needed for the economy on a regular basis.

with the assigned tasks, and will those which will continue to be taken, to fulfill the tasks for increasing consumer goods, the Council of Ministers has directed the production organs and those of domestic trade and of the communal economy toward giving priority to the fulfillment of the tasks for the implementation of contracts by further strengthening discipline in this field.

(2. Greater attention will be given to the improvement of the effectiveness of production and of the economy in general.)

The tasks of the 1981 plan provide for a further improvement of the effectiveness of production and of the economy in general. The increase in national revenues needed for increasing accumulation in all its forms and for increasing the fund for the people's consumption is conditioned by the fulfillment of these tasks. The Council of Ministers, on the basis of the tasks assigned by the Ninth Plenum of the Party Central Committee, is working with the ministries and the districts in order to secure an increase in labor productivity by all the economic enterprises and agricultural cooperatives and the economical use of materials and of basic funds and to strengthen the system of savings in expenditures in non-productive sphere, such as education, health, administration and so forth.

To fulfill the objectives stipulated by the 1981 plan for the improvement of the effectiveness of the economy, the further strengthening of the system of savings and the economical use everywhere and in everything, such as, expenditures for manpower and materialized labor, will be one of the main directions where the attention and concern of all the working collectives and of the government and economic organs will be concentrated.

The aim of the efforts and measures which will be carried out in all the branches and sectors of the economy and culture in regard to the strengthening of the system of savings will be the assurance of the necessary material and financial resources for expanding production and for building the new projects stipulated in the plan, as well as the further invigoration of the material and monetary reserves needed for insuring the regular fulfillment of the plan and for better confronting the circumstances and the influence which the crises of the capitalist and revisionist world exert on our foreign trade.

The task for intensifying reserves, entrusted to government and economic organs, concerns not only imported raw materials and other materials, but also domestic materials, because, understatement observed in some government and economic organs and leaders in regard to reserves in raw materials and domestic materials has become the reason for failing to use production capacities and, in some cases, for interrupting production.

Working and supplying better for the implementation of a strict system of savings by every enterprise and cooperative, the fulfillment of the plan will assure preparation of planned ratios in expanded reproduction on which depends the fulfillment of ratios in the framework of the entire economy.

Taking into consideration that planned ratios in the development of the economy required, first of all, the fulfillment of the plan tasks by the material production branches, the ministries have adopted and are continually implementing the necessary measures for the best utilization possible of the production capacities in use. This task will be in the center of attention, because, in practice, there are government and economic organs that do not properly evaluate it and, as a result, there are supplementary expenditures for the economy for manpower and materialized labor.

The Council of Ministers has also called upon all government and economic organs to deal better with the plan financial indicators, for the purpose of insuring their implementation, as the deficiencies created during the past years in these indicators have been influential in the development of the economy at the planned rates. Especially, the ministries and the executive committees of the district people's councils must carry out better studies and concrete measures so as to eliminate losses resulting from some activities and must not allow the enterprises to have losses when they have planned to have profits.

The tasks provided in the field of production and of the improvement of its effectiveness require that government and economic organs, in all links, deal much better with the implementation of the great tasks assigned by the Eighth Plenum of the Party Central Committee for the development of science and culture. The Council of Ministers has assigned tasks to the government departments, the districts and grassroots units for expanding the technical and scientific revolution, also reflecting them in the level of the plan indicators which must be attained in 1961.

To implement them, the government departments are advised to adopt measures so as to improve work in the scientific research institutions, in the work groups established for various study matters, and in the technical and technological bureaus in enterprises and so forth and to strengthen the control over the fulfillment, to the very last, of the plan for scientific research activity. In order to organize and promote to an even higher level the management of the scientific activity, the Commission for Science and Technology attached to the Council of Ministers will provide special assistance in this field.

All government and economic organs are entrusted with tasks for the further improvement of the effectiveness of production and of the economy in general. In this field, however, we must work for the further improvement of the work and role of the planning and finance organs, especially, for a more expanded work, through analyses, in order to confirm the disproportions that can emerge from the process of implementation of the plan.

13. On the further perfection of the planned organization and management of the economy and of relationships in distribution./

The perfection, always on the revolutionary road, of relationships in production is one of the most major objectives of the economic line and policy of the party and of our socialist state of the dictatorship of the proletariat. The problems that have emerged in this field have been treated and solved in accordance with the needs of the development of production forces and in order to anticipate this development, always on the socialist road, in the interest of the building and defense of socialism in our country.

Based on the party guidelines to further perfect the planned management of the economy and the relationships in the field of distribution, recently the Council of Ministers issued some special decisions. With these decisions, the aim is to elevate the planned management of the economy to a higher level, especially, by further strengthening its planned centralized management and by better linking the fulfillment of the task of the plan quality and production expenditures with remuneration for work in industry, agriculture and in the other branches of the economy. With these measures, the sense of responsibility of every worker will be further increased and the strengthening of the plan and work discipline will be improved by all the working people in the economic enterprises and agricultural cooperatives. The task of the government and economic organs is to carry out a particular work in order to understand their revolutionary content, considering them as matters dealing with the necessity to further perfect socialist relationships in production. Along with this, the task is set for their complete implementation, because in this way, the struggle will be further strengthened against the manifestations of bureaucracy and liberalism in the work of some government and economic organs.

The Council of Ministers, as always, in the future, too, will support the revolutionary initiatives of the working masses dealing with the perfection of socialist relationships in production. It has advised the Ministry of Agriculture, the executive committees of the district people's councils, the agricultural cooperatives and all other government and economic organs to strongly support the revolutionary movement of the cooperative peasantry for herding the domestic animals in the yards of cooperative members, as a particularly important measure that will lead the strengthening of cooperative property and the increasing of the mobilization of the cooperative peasantry to fulfill the tasks of the plan.

Congress Deputies:

The international situation in which our people enter in the five-year plan is fertile with serious dangers for the freedom of the people and of the different countries. The cause of this situation is the serious and comprehensive crisis--a deadlock--in which the capitalist-revisionist system has been caught up, which, on the one hand has embraced all its socio-political and economic-financial and other activities and, on the other hand, has led to the worsening of all the contradictions of this rotten, dying system. American imperialism and Soviet and Chinese socio-imperialism are, at the present time, developing a feverish and many-sided activity, going as far as open aggression, against the countries and people that struggle for liberty and independence, in order to divide and re-divide the spheres of influence, to the detriment of and at the expenses of the people.

The Government of the United States of America, which defends the interests of the most reactionary forces of American imperialism, has increased its efforts and is trying, by all its means, to recover the positions it has lost in some fields in the international arena, as a result of the defeats that it has suffered from the just struggle of the various people in the world, such as in Iran and elsewhere. Also, Soviet social-imperialism continues to pursue the policy of aggression and of interference, by various forms, in the domestic policy and life of the other states, such as in Afghanistan, Poland and so forth, while, Chinese revisionism, encouraged and supported by international imperialism, especially, by American imperialism, in a feverish manner, is continually increasing its efforts to emerge in the international arena as a superpower, becoming a serious danger for peace on the Asian Continent.

The imperialist policy, being implemented by the superpowers, has become the cause for the creation of serious situations in many areas of the world, such as in the Middle East and the Persian Gulf, in Southeast and Southwest Asia, in Poland, in Central America and so forth.

However, despite the fact that the superpowers are more than ever shaking the whip of the international gendarme, the struggle of the people and of the oppressed colonial and semi-colonial countries for liberty, independence and social progress has further increased, recording new victories.

Capitalism and revisionism failed in their efforts to come out from the serious economic and financial crisis in which they have plunged. As a matter of fact, last year, a further expansion of the economic and financial crisis and of the energy resources and so forth was recorded. Prices and inflation continually increased at rapid rates in the capitalist and revisionist countries. Millions of new workers continued to join the ranks of unemployed, while, production in many industrial branches continued to decrease; many small, medium-size and large enterprises, failing to confront the competition of the monopolies, went bankrupt. However, last year, the class struggle of the working class and of the other working masses of the capitalist and revisionist countries also further increased against the exploitation and the efforts of the bourgeoisie to throw the burden of crises on the working masses.

The Albanian Workers Party and the government of the People's Socialist Republic of Albania have always correctly evaluated the international situations and have taken and will take continuing measures so that our country will never be caught by surprise and will never fall in the traps of the imperialist and revisionist policy and of the false situations which the superpowers are trying to create.

Also, the Council of Ministers has instructed the government and economic organs to study more deeply the international situations created and to continually take on tasks so as to successfully confront them, especially, by linking them in a better way with increased efforts to fulfill the plan.

Comrade Deputies:

About 3 months have elapsed since the working masses in cities and villages started working on the fulfillment of the tasks of the 1981 plan. During these months, good results have been achieved in the fulfillment of the plan tasks, even by removing some branches and sectors of the economy from the backwardness in which they had fallen last year.

Also, the working collectives of the economic enterprises and agricultural cooperatives, after they were acquainted with the decisions of the Ninth Plenum of the Party Central Committee on the convening of the Eighth Party Congress, are discussing and working on new revolutionary pledges and initiatives, linked with the fulfillment and overfulfillment of the 1981 plan tasks, and aiming at going to this congress and the 40th anniversary of the founding of the party with great achievements.

The Council of Ministers is guiding all the government and economic organs, and is taking the necessary measures, so that these initiatives and pledges are strongly supported in order to be implemented. In this direction, the ministries and the executive committees of the district people's councils, in cooperation with the mass organizations, are working not only to record them, but also to schedule the work in every link of management of the economy so that they will be supported, generalized and implemented.

Presenting the draft state plan and draft budget for 1981 for approval, the Council of Ministers expresses its full conviction that the working masses and the government and economic organs will further mobilize themselves to implement the tasks of the Ninth Plenum of the Party Central Committee and will go to the 40th anniversary of the founding of the party and to its Eighth Congress with ever greater victories in all fields of the country's life. They will further increase their efforts to fulfill the 1981 plan tasks, further promoting the building and defense of socialism in our fatherland, in order to improve the prosperity of the people and to make socialist Albania more beautiful and stronger, standing always firm as an invincible fortress of socialism in Europe and the world.

The prospects opened to the economy with the 1981 plan will certainly be implemented, because, the steel-like unity and invincible struggle of the party and of our people stand on their foundation, for marching forward with determination.

A guarantee for this is the leadership of the party which has led and is leading our people from victory to victory; it is the correct Marxist-Leninist line and policy of the party and of its Central Committee, led by Comrade Enver Hoxha, our dear leader, which guide us on the glorious road to socialism and to communism.

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REPORT OF PEOPLE'S ASSEMBLY PLAN AND BUDGET COMMISSION

TIRANA LERI I POPULLIT in Albanian 27 Mar 81 pp 1-4

[Report of the Commission for the Plan and Budget of the People's Assembly delivered by Deputy Namit Tapa, chairman of the commission]

[Text] Comrade deputies:

We fully agree with the report presented by Comrade Petro Dede in the name of the Council of Ministers. It reflects the results achieved in the fulfillment of the state plan and budget for 1980 and clearly foresees the great tasks set forth for 1981, the first year of the Seventh Five-Year Plan. Under the leadership of the Party, headed by Comrade Enver Hoxha, in 1980 our people successfully confronted the difficulties of the imperialist and revisionist blockade and, relying on their own forces, achieved a number of important successes.

The volume of overall industrial production increased by 7.1 percent, compared to 1979. The transportation of goods, exports and imports, the services for the people and so forth also developed at rapid paces. Compared to 1979, we produced more fuel, gas, electric power and so forth. The plan tasks for the production of chemical fertilizers were fulfilled. New petroleum rich-areas were discovered; industrial reserves of petroleum and of other useful minerals were increased; and a number of projects left half-finished by the Chinese revisionists were put into operation and so forth.

Although last year was not a prosperous agricultural year, the volume of agricultural production was 2.6 percent higher than the average obtained during the 4 years 1976-1979, and more wheat, meat, fruit and so forth were obtained. In the special industries, the best results achieved in 1980 were obtained by Berat, Tirana, Fier, Durrës and Korce districts. Greater progress was achieved in the fields of education and culture, health, communal services and so forth.

Also, during last year good work was carried out in the area of the defense of the country.

These achievements, at a time when the entire capitalist-revisionist world is plunging up in the vise of crisis, contradictions, difficulties and innumerable defeats, are another clear proof of the incontestable superiority of our socialist social system and of the correctness of the Marxist-Leninist line, faithfully pursued by our Workers Party, for the building of socialism in our country, in

accordance with the great principle of relying on one's own forces. All these things have made it possible to further consolidate the economic independence of the country and to further strengthen its international position. They are inspiring and a powerful base for great progress in the future.

However, as stressed by the Ninth Plenum of the Central Committee of the Albanian Workers Party, there is no room at all for self-satisfaction. During 1980, along with the results, which are a general characteristic, there also were some failures to fulfill the plan.

The 1980 plan tasks were not fulfilled in petroleum, coal and chrome ores, in the cement and fishing industries and in some consumer articles. In agriculture, the overall production plan was not fulfilled and shortfalls were created in some important products. The 1980 plan tasks were fulfilled with gaps, especially, by Lushnje, Durres, Kruje, Elbasan, Vlone, Mat, Mirdite and other districts.

From the analyses of the problems of the plan fulfillment carried out by the work groups of the plan and budget commissions in various districts and from the explanations given at the meeting of the commission on 16 March 1981 by some ministerial leaders and deputies--who are members of this commission-- it appeared clearly that the failure to fulfill the tasks is to be found in the insufficient organization and management of work and of production in the incorrect understanding of the situation and in the insufficient efforts to strengthen work discipline and technical and scientific discipline.

Some ministries, such as the Ministry of Industry and Mines, the Ministry of Light Industry and the Food Industry, the Ministry of Agriculture, the Ministry of Construction and the Ministry of Foreign Trade still have shortcomings and weaknesses in their work. The control over the execution of decisions is not systematic; the internal economic, financial and technical control has been weak. The plan and budget commissions attached to the district people's councils, in spite of their efforts, have not exercised the necessary control over the economic enterprises and agricultural cooperatives and have not required reporting, as they should have, on the execution of the plan tasks.

The Ninth Plenum of the Party Central Committee assigned important tasks for the 1981 plan. For a more expanded examination of the figures, which are presented, the Plan and Budget Commission dispatched working teams to certain districts and requested from the deputies of various districts their observations on the draft plan and draft budget for 1981. The commission, after a detailed examination of all the observations made, reached the conclusions that the majority of the observations were in favor of a determined struggle that should be carried out for the further perfection of the method of organization and management in production and for a better coordination between the branches and sectors, so as to combat every bureaucratic delay and any spirit of tolerance, to disseminate better and better, advanced experience, to intensify work for expanding the scientific and technical revolution and to implement profitable studies exclusively with our own forces.

In 1981, compared to 1980, the following items are expected to increase, as follows: social product, 7.6 percent; overall industrial production, 7.2 percent; overall agricultural production, 11.1 percent; the volume of investments, 5.8 percent; the production of consumer goods, 4.8 percent; the volume of exports, 23.4 percent; and national revenues, 8.9 percent. There will be noticeable increases in crude oil, coke, coal and ferromanganese ores, and in yields of agricultural products such as wheat, corn, potato, rice, tobacco and cotton, and in livestock products and so forth. In 1981, too, by preserving the leadership role of industry in the economy, a better harmonization of the development of industry is expected to take place with the further strengthening of agriculture--the base of the economy.

The tasks of the 1981 plan take into consideration not only the ever-increasing needs of the economy, but also the real, existing possibilities for implementing the plan. Therefore, it is fully realizable. Evidence of this are the results attained during the *(first)* two months of 1981. The fulfillment ahead of schedule and the overfulfillment of all the tasks assigned by the state plan for 1981 require, from the state and economic organs, a deeper understanding of the directives of the party, of the decisions of the Ninth Plenum of the Party Central Committee and of Comrade Soviet Kosygin's recommendations at the meeting of the Politburo and in this plenum; they require that first of all every worker and cadre fully understand the situations and mobilize themselves with all their forces to fulfill the task entrusted to them with great responsibility, working with exemplary discipline, economizing every material and monetary value and rising up with force against foreign manifestations and liberal attitudes toward them.

The manifestations of departmental parochialism and of the work closed up within the districts must be fought. The method of confrontations between the ministries and between the latter and the districts must be better used in order to find the solution to the problems. Advanced experience must be further generalized and better implemented and work must be coordinated with the mass organizations. The further fitness training of specialists and the application, supporting and enlisting of their thought must be made a part of the work method of the government and economic organs, better coordinating their forces for solving the problems of science and technology.

In the present conditions, an important link, to which we must hold on strongly, is the strengthening of control, especially, internal economic and financial and technical control over the implementation of the plan tasks. The finance and bank organs must place the control by means of the let more and more on the position it deserves and their role must be felt more in production, in circulation and in services.

Organizational and technical measures for the complete utilization of existing production capacities must be further strengthened and perfected, because in this field there are reserves. In the 1981 plan, it is stipulated that 85 percent of increased industrial production will be insured by the better utilization of the existing production capacities. In the communications sector, 30 percent of the increased volume of transportation relies on the existing means, while, in the agricultural sector, the entire volume of mechanized works will be assured by the increased lead of machines available. This requires the increase of the coefficient for the utilization of production capacities of metal-cutting machines, of the rail network, of technical means in the agricultural and construction sectors and so forth.

Especially, great tasks are assigned to the machine industry which must study, design and produce many machines and pieces of equipment, lines and plants with advanced technology and with high yields and give a further development to domestic production.

The district people's councils will hold their meetings in April to analyze the fulfillment of the 1980 plan and budget and the fulfillment of the first quarter plan for 1981 and to approve the 1981 plan and budget. For the preparation and successful development of these meetings, the deputies, who are members of the Plan and Budget Commission of the People's Assembly, must assist the plan and budget commissions attached to the district people's councils to carry out the analyses of their work, to draft the reports which they will present to the people's councils and to establish the tasks for 1981.

The measures for implementing all the plan and budget tasks directly must be determined in the most complete and comprehensive manner at the meetings of the district people's councils; and this work must be extended, without delay, to the people's councils of all levels, especially, to the people's councils of united villages and of the villages which have great tasks, especially, in the field of agriculture; they must continually deal with the control over the execution of these tasks, putting in motion all counselors and activists. The executive committees of the district people's councils must also better activate, in a complete manner, all their apparatuses, especially, their sections; they must better coordinate all their work and assure an active monitoring of the implementation of all the tasks assigned to them.

We express our full conviction that the working masses of our country and the government and economic organs, led, as always, by the party and Comrade Enver Hoxha's teachings, will further increase their mobilization, struggle and comprehensive efforts to fulfill the plan tasks for 1981--the jubilee year of the 40th anniversary of the founding of our glorious party and of the convening of its Eighth Congress--and to end the first year of the Seventh Five-Year Plan with comprehensive victories in the political, ideological, economic, social, and defense fields, defeating every blockade and encirclement and making our country more beautiful and stronger and the life of our people more and more prosperous.

Comrade deputies, we invite you to unanimously approve the draft plan and draft budget for the state for 1981.

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STATE CONTROLLER DESCRIBES INEFFICIENCY, WASTE IN INDUSTRIAL PRODUCTION

Sofia ANTEN1 in Bulgarian 13 May 81 p 4

[Article by Ivan Markov, controller general of the Committee for State and People's Control: "Legitimized Deficiencies"]

[Text] The damage done to the national economy for which inaccurate norm setting and planning are to blame is no less than the losses caused by direct sabotage. This form of damage to public property is even more dangerous because in most instances it seemingly acquires the character of legal action.

A considerable part of our products are characterized by great material- and labor-intensiveness. The input norms now in effect in our country are higher than in the advanced countries and are out of line with real need at the design, technological and organizational level of production we have reached.

No one can say that the questions of economies in materials have not been recognized theoretically. They are plain to every economic executive. Nor can anyone say that the problems have not been settled normatively—on the contrary, a large number of party and government documents have been issued.

The new economic mechanism creates a good normative precondition for solving the question effectively. But our inspections thus far show that the inertia of the old approach has not yet been overcome. The basic deficiency of input norms and, analogously, of output norms in certain processes is that many of them are still defined with wide margins rather than on a scientifically substantiated basis. They include not only real need at the level of technology we have attained, but also all losses from squandering, waste, excessive inputs due to nonstandard character, size substitutions due to irregular deliveries, above-norm spoilage, and even an additional hidden margin. Naturally, such norms cannot be progressive and dynamic or reflect the best technological achievements. They legitimize and cover up all the deficiencies of the economic organizations.

The planned surpluses of materials provided by the higher than necessary input norms blunt the effort of the collectives to reduce material inputs. They create conditions for the appearance of unaccountable or above-norm remainders, of squandering, mismanagement, concealment of spoiled materials and above-norm rejects, the reporting of unreal savings etc.

If we compare a number of our current material-input norms and normatives with the achievements of the most advanced industrial countries, we see that tremendous new potentials for reducing material-intensiveness can be discovered.

But the question here is no longer one of desiring or not desiring to set lower input norms for raw and other materials, fuels and energy. The task is, first, to master and apply the most modern weight-reduced designs of products with a significant enhancement of their strength, aesthetic and consumer features, to introduce fundamentally new technologies making possible higher and wastefree utilization of materials, to replace heavy, expensive and scarce materials with new and more efficient substitutes etc. The task requires long work by scientific and labor collectives and wide use and application of foreign experience.

Most of our modern plants and institutes are creating splendid conditions for proving oneself creatively. But what do the following facts indicate in this area?

In the advanced countries 23 percent of the materials in machine building are non-metallic, but in our country they are 2-3 percent.

The utilization rate of materials fluctuates from 23 to 97 percent, while in the advanced countries it is significantly higher: for rolled ferrous metals, for example, it is 72 percent in our country, but 75 percent in the USSR; for rolled sheet in shipbuilding it is 81 percent in our country, but 90-97 percent in Japan; for dynamo sheet steel it is 49 percent in our country, but 66 percent in the GDR etc.

About 30-32 percent of the metals in our machine-building industry turn into scrap.

In metallurgical and flotation production a considerable portion of the metals and components is discarded unextracted.

For years in a row the blast-furnace gas at the Lenin Economic Metallurgical Combine in Pernik has burned in a flare--no managers were to be found to use it. The situation is similar with the exhaust gases from thermal electric power stations and other plants, while at the same time 2200 tons of imported petroleum are used annually for the production of carbon dioxide at the Carbon Dioxide Economic Enterprise in Sofia.

We now use only about 5-6 percent of our naphtha (as against the more than 20 percent in the advanced countries) for chemical processing and the bulk is left over for fuel, which is extremely inefficient--an extravagance in the present energy crisis.

These examples are only fragments of an alarming picture illustrating how public property is being wasted and how before our eyes the blood of our economic organism--due to rejects and nonstandard output--is being drained, as it were, from two covered veins.

Significant potential reserves exist in the production of almost all products in respect of weight reduction, cutting down of technological and above-norm spoilage.

improvement of quality and elimination of nonstandard output with reduced consumer properties.

If we consider the loss of raw and other materials, fuels and energy for the various reasons set forth above (squandering, waste, thefts or nonrational investment thereof in output due to imperfection of designs, technology and organization), we will find that the reasons are of a varying social nature and action must be taken in varying ways to eliminate them. The economic nature of all these losses, however, is one and the same—inefficiency. Public property is being lost and wasted. The distress and alarm of all economic managements and control agencies in evaluating these phenomena should be identical for both overt waste and misappropriation and also for the inefficient use of raw and other materials and energy as part of socialist property.

The Twelfth NCP Congress has summoned us to selfless, high-standard and efficient work, to labor and creative effort. Rational utilization of all material resources will be a worthy response on our part to this appeal and a contribution to the fulfillment and overfulfillment of the Eighth Five-Year Plan.

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CSO: 3300/93

BULGARIA

BRIEFS

PETROCHEMICAL EXPORTS TO GREECE—The products of the Petrochemical Combine in Burgas have found a broad market in Greece. Long-term trade agreements between Bulgaria and Greece made it possible to constantly expand the list of products exported by the Petrochemical Combine to Greece. The export of motor fuels was followed by exports of liquid chemical products and plastics. High pressure polyethylene, synthetic rubber, and other plastic materials, whose qualities rival those produced by the most developed industrial countries, are in high demand by Greek commercial firms. As a result of the constant expansion of trade relations with Greece, in the last 10 years the exports by the Petrochemical Combine to that country rose more than four times. In the coming years the outlook for expanded trade between the two countries is very favorable. This is especially true for the exports of plastic materials which are expected to increase significantly. Polypropylene, the production of which will start this year, is included in the export list. (BTA) [Text] [Sofia VECHERNI NOVINI in Bulgarian 28 May 81 p 1]

CSO: 2200/98

UPDATED SYSTEM OF EXPORT INCENTIVES DISCUSSED

Prague HOSPODARSKÉ NOVINY In Czech 3 Apr 81 p 3

[Article by Jaroslav Růž, Czechoslovak State Bank, Lubomír Rej], Federal Ministry of Finance: "The System of Export Incentives"]

[Text] The Set of Measures for Improving the Planned Management System of National Economy after 1980 specified the basic principles of the new system of export incentives for the period of the Seventh Five-Year Plan. The Federal Ministry of Finance and the Federal Ministry of Foreign Trade in agreement with the State Planning Commission and the Czechoslovak State Bank promulgated an edict taking effect as of 1 January 1981 as regards export incentives for exportation and importation of goods, complete industrial plants, concluding active licensing and similar agreements and for providing services abroad. This edict was published in the Bulletin of the Federal Ministry of Foreign Trade under the number 11/1980, in FINANČNÍ SPRÁVODAJ No. 11/1980 and in the SPRÁVODAJ STÁTNÍ BANKY ČESKOSLOVENSKÉ, item 36/1980. It can also be found in a supplement to this issue of HOSPODARSKÉ NOVINY. The article explains the basic principles of export incentives and provides information about their practical implementation.

HOSPODARSKÉ NOVINY published as early as issue 43/1980 a keynote article by the deputy minister of finance of the CSFR, engineer Zdeněk Kuran, dealing with the new system of export incentives. Operational procedures for implementation of Edict No. 11/1980 were worked out and issued and to accommodate the needs of organizations were published in SPRÁVODAJ STÁTNÍ BANKY ČESKOSLOVENSKÉ, item 5/1981, and in a supplement to the bulletin of the Federal Ministry of Foreign Trade. These operational procedures were issued toward the end of January of the current year and contain explanatory notes regarding selected key provisions of the edict together with detailed instructions for its practical utilization, with illustrative examples of all calculations that come under consideration in submitting applications for granting of shares in export incentives. The operational procedures may be obtained by production organizations from pertinent financing branches of the Czechoslovak State Bank.

Essential Features of Stimulation

One of the key intents of the Seventh Five-Year Plan is improved effectiveness of external economic relations which should prospectively create the prerequisites for achieving an equilibrium in the balance of payments. This calls for focusing attention in the state plan for the development of the national economy and in the entire system of management primarily on dealing with topical problems of Czechoslovak foreign trade.

The effects of the system for stimulation of exports are oriented toward Economic Production Units (VNU), or that level of management. It involves purposeful stimulation of the interest of enterprises toward creating positive contributions to the balance of payments. It is this specific orientation that makes it an organic part of the khosrachet system of the VNU in the framework of which the center shares the contributions created in excess of the plan with the enterprises in its jurisdiction. It logically follows that this system will attain maximum efficiency only when it becomes a vital part of the intraplant management of each VNU, i.e., not only of its economic plan, but also of khosrachet. For that reason it is desirable that each economic production unit apply the system of export incentives to the specific conditions in its organization while taking into consideration its specific requirements.

As a consequence, the system for stimulation of exports will be utilized in a different way by trust enterprises than by concern or sectorial enterprises. However, in all cases it is imperative that the effects of export incentives become reflected in all the components of the organization at all levels of management.

The essence of stimulation of exports consists in granting a share of export incentives for contributions made to the balance of payments in excess of the plan quota computed by means of the prescribed criteria. The computation method has been devised in such a manner as to enable organizations to keep their administration simple by working merely with data that are routinely available to the organization for the purposes of the foreign-currency control system. For the computation itself are provided forms, samples of which are attached to the directives which instructively, using the algorithm method, provide the simplest way to the calculation itself. In other words, they have been compiled so that they can also be used as instructions for calculation.

The conditions prescribed for computing the share of export incentives are indispensable in view of the fact that the system for stimulation of exports is directly related to the balance of payments. Efforts had to be made to keep the entire system simple, not exacting a lot of work, yet having it contain certain specific conditions linking it to the balance of payments. The logic of this linkage is given by the fact that providing contributions to the balance of payments in excess of the plan simultaneously generates the requisite resources for meeting the demands accruing to the system. Thus, the conditions contain a provision which will ascertain that the system of export incentives will not draw on more resources than it helped to generate.

Foreign-Exchange Entitlement

Foreign-exchange entitlement is a special form of a specific easement in foreign-currency coverage made by the Czechoslovak State Bank in compliance with the provisions of Section 21, para 1 of Decree No 143/1970 of the codes which implements the law relative to foreign-exchange economy. Thus, what is involved is not foreign currency. Foreign-exchange entitlement will become a foreign-currency resource only after the organization instructs the Czechoslovak Commercial Bank in Prague to make a payment abroad and to that end remits the equivalent of the foreign-exchange entitlement in koruna. The Czechoslovak Commercial Bank will carry out the instruction if all conditions for making payments abroad have been met, to include conditions specified in Decree No 12/1980 of the Bulletin of the Federal Ministry of Foreign Trade.

The foreign-exchange entitlement originates from the share of export incentives computed in compliance with the provisions of this edict only after the Czechoslovak State Bank has verified the correctness of the computation and has instructed the Czechoslovak Commercial Bank to credit the thus verified share in export incentives to the account of foreign-exchange entitlements.

It is obvious from the above that a foreign-exchange entitlement is not an asset per se and, thus, it does not even represent a form of property and, as such, is not reflected by the accounting system. An account of foreign-exchange entitlements, then, merely represents an operative record of a promise by the center that foreign-exchange entitlements can under specified conditions become foreign currency.

Thus, the concept of the system of export incentives is designed to help create permanent contributions to the balance of payments and, at the same time, provide organizations with an opportunity to acquire foreign currency beyond the limits on imports set by the foreign-exchange plan for use in production or for capital investment, or acquire such means in the form of reexchange credits for foreign currency.

Thus, the actual procedure for organizations to follow is this: compute in the prescribed manner the share of export incentives and, using the prescribed forms and in the specified term, request their granting by the Czechoslovak State Bank.

The Course to Follow

Production organizations still subscribe to the mistaken concept that prices of their products abroad are a matter of concern for relevant foreign trade organizations, that production itself does not influence the level of prices achieved abroad, as they are negotiated by their corresponding foreign-trade organization.

In fact, production itself holds in its hands all the factors relevant to the use value of export assets, particularly technical features, quality, appearance, packaging, weight, but also durability, servicing, shipments of spare parts, delivery terms and others. It is these properties of the product that for all practical purposes predetermine the attainable price level. This, from the viewpoint of foreign trade, is supplemented by quality sales promotion which can make use of the utility properties of products, but cannot change them.

For these reasons the system of export incentives puts emphasis on rewarding by preferred rates those who exceed specified export quotas through higher foreign prices than envisioned by the plan. It provides incentives for producing organizations to devote the greatest possible attention to systematic and purposeful innovation of their products, coming to the world's markets with constantly improved production, attractive novelties, modern surface finishing and improved packaging.

It is a matter of common knowledge that Czechoslovak products require a high consumption of material and energy. Therefore the system of incentives also specifies criteria oriented toward improved utilization of imported materials, lower demands on energy, leading generally to meeting the set volume of export quotas with minimal drawing on foreign-currency resources and stimulate exceeding of export quotas at full utilization of the planned resources.

In this manner, the effects of stimulation create a permanent pressure on improving the technological level of production, design of individual products and assortment of the production program as well as simultaneously providing leverage for systematic improvements in prices per unit of weight, improved utilization of the national product and savings of energy and power-engineering materials of all types.

Development of the national economy over the past 2 years has shown a slower rate of annual increase for exports than for imports. For that reason the system of export incentives orients enterprises through purposefully established criteria toward attaining maximum annual increments in exports. The relevant criterion provides for rewarding of organizations that achieve a higher increment in exports than the one prescribed to the supervisory branch by the appropriate planning commission.

The edict simultaneously confronts efforts at creating conditions for easy qualification by soft planning by granting entitlements from export incentives only up to 10 percent of exceeding the planned quota.

Regular assessment of experiences made over the past years has shown that meeting of planned material export quotas has a decreasing tendency, as constant growth of inflation helps organizations to make up for material decreases literally by feeding on the high rate of world inflation. As the demands of organizations on production resource are registering a simultaneous increase, it means that increasing imports are not equivalently reflected in increased contributions from exports.

The system of export incentives effectively counters these unwanted developments through conditional granting of foreign-exchange entitlements in such a manner that the organization must meet its material export quota in order to be granted the full amount of the computed share of export incentives. However, this relation is not as straight-lined as would appear at first sight. Under certain conditions this could lead to undesirable effects and force the manufacturer to stick to productions enabling him to meet the above conditions more easily. This can occur particularly at times when the wholesale pricing policy lags behind parity of values on the world market. Thus, in taking advantage of this condition, the interests of the national economy must receive due consideration.

Just now coming to the fore at this time is the indispensable need for curbing the cost of imports, be it by a more economic utilization of inevitable imports to keep decreasing their volume in relation to the volume of production, or by a series of measures for limiting economically ineffective imports, particularly from socialist countries.

These measures tend to get organizations more interested in a wider and more systematic utilization of domestic resources and capacities in lieu of imports and, furthermore, giving preference to availing themselves of importation possibilities from socialist countries. This does not mean, of course, that savings must be effected at all costs, even to the detriment of developing economic cooperation with other countries which in many cases, or its correct orientation, replaces ineffective imports and, as a rule, promotes better use of the national product.

Commercial success on world markets is literally determined by close and purposeful cooperation between production and foreign trade. Such cooperation must be systematically nurtured and constantly developed. The system of export incentives promotes this process by offering both partner organizations the same criteria. The form of participation in the results of foreign trade which failed in the past due to its considerable complexity and excessive demands on administration has been discarded, to be replaced by a system in which foreign-exchange entitlements are granted in relation to the extent to which each specific organization shared in bringing about positive results in foreign trade and making contributions to the balance of payments in excess of the planned quotas.

Putting Gains to Use

It is envisioned that foreign-exchange entitlements be primarily used to promote the growth of production of competitive export assets, continuous improvement of their use value and toward bringing about reductions in material and energy demands of production. They ought to be used primarily toward achieving distinctive savings in importation of material and raw materials for use in production. For that reason, the utilization of foreign-exchange entitlements is oriented primarily toward importation of sophisticated technology, procurement of licenses and of know-how, and toward importation of materials for use in production to promote growth of production wherever suitable conditions prevail. The prerequisites sine qua non is that the increased production will prove compatible on foreign markets.

Organizations will be able to transfer, or even consolidate, their acquired foreign-exchange entitlements when it will promote attainment of the pursued objective. Up to a certain extent the foreign-exchange entitlements may be used for improving the working conditions of the organization's personnel (e.g., work safety problems, providing of meals at the plant) and equipment of plant health facilities serving all the organization's personnel. In drawing on foreign-exchange entitlements it is imperative to fully respect all regulations regarding planning, financing and investment procedures.

In conclusion, it can be stated that the system of export incentives is in general designed to help cope with all basic problems that relate to external economic relations and to systematically guide all enterprises toward this objective. The

edict regulates the system of export incentives throughout the entire range of external economic relations, i.e., exports as well as imports of piece and bulk goods, export of complete industrial plants, providing of services abroad and utilization of industrial property in foreign trade. This provides easier orientation in the state that prevailed until the end of 1960, when each sector was subject to separate regulations and each had its own edict. In this manner the application of the system to the entire sphere of foreign trade was successfully coordinated.

In keeping with the continuing approach to using the system of export incentives, its economic effectiveness as a whole and according to individual criteria will be continuously verified every year. The findings obtained will be used to further improve the effectiveness of this stimulative measure for exports, because, as is the case with the Set of Measures, it is regarded to be an open system which will be further improved and developed as needed.

6204

CSC: 2400/183

SOLUTIONS TO REDUCE NUMBER OF UNFINISHED PROJECTS OFFERED

Prague HOSPODARSKÉ NOVINY in Czech 24 Apr 81 p 6

[Article by Ing Ladislav Carbol, CSc., general manager Pzemni Stavitelstvi (Building Construction Enterprises), Ostrava]

[Text] The excessive number of uncompleted capital projects constitutes a well-known sore problem. While the experimental application of and the by now promulgated Set of Measures brought about a change of attitude exerting pressure on enterprises to reduce their commitments, still, the gap between social pressure calling for more capital construction and the available construction capacity has not been reduced. This article is designed to elicit an answer to the question on how to solve this problem.

Frequently builders themselves are blamed for the excessive number of uncompleted projects and, of course, they are partly at fault. Until recently they found it more to their advantage to start projects than to complete them. For one thing—it diminished their worries about procuring materials, although only temporarily—but the main reason was that it made plan fulfillment easier by meeting gross construction volume indicators, which in practice were the key criteria for assessing output and thereby results. In this way construction efficiency was deemphasized and frequently played a secondary role in decisionmaking. This was wrong but the fault lay primarily with the "rules of the game," which failed to orient the policy of enterprises toward compliance with the economic strategy followed by the CPCZ designed to achieve optimum production dynamics, quality and efficiency.

The new rules of the game, derived from the experiment and then also from the Set of Measures, deemphasized the importance of gross production and turned the interest of construction enterprises from quantitative to qualitative indicators with their primary stress on profit and the ratio of profitability to capital assets, an indicator derived from profit. This also dampened considerably the interest of the construction enterprises in increasing their commitments since it served no useful purpose and in addition resulted in construction delays with their negative aspects. We found that construction delays due to overextension are responsible for up to 2.8 percent of the rise of overall annual expenditures of the construction enterprise Pzemni Stavitelstvi, Ostrava due to increased overhead and some direct expenditures which count as overhead (such as, some wages, working site and construction equipment expenditures); to this must be added losses due to penalties, late charges and other expenses amounting to millions which naturally affects management results of the organization deleteriously.

Therefore, in the future builders will not only lose interest in accepting commitments resulting in overextension but will also be forced to keep their commitments within limits of their capacities. If the solution to the problem of overextension depended primarily on the builders everything would probably be put right in short order.

But in reality the number of uncompleted projects of our VNU has increased further in the past 2 years. Specifically, by the end of 1960 the number of uncompleted projects of our VNU has exceeded the standard based on norms setting deadlines for the completion of projects by about 22 percent in spite of the fact that at that time we were already participating in the experiment which was to verify the efficacy of measures expected to reduce overextension which constitute the Set of Measures.

In the search for the cause of overextension, it was found that the Set of Measures worked as a solution only unilaterally: it had an effect only on the builders who, while part of the problem, are not its cause. The true or primary cause of the excessive number of uncompleted projects is elsewhere: in the management system of the capital investment policy.

Gap Between Demand and Available Resources

There is general agreement that overextending capital construction works as a brake on the economy; that it paralyzes investment progress, reduces its efficiency and that of the entire construction process. Of course, this is so only as long as capital investment as such is not involved. It is unbelievable how quickly in such case principles and good intentions are forgotten and how forcefully partial requirements, limited materially and in scope, are being enforced which objectively exceed both the availability of resources and the potential of construction and engineering capacities. Measured by the volume of capital investment, the CSSR is among the world's leaders; for example, while capital investment in the Sixth Five-Year Plan amounted to more than 30 percent of the allocated national product, corresponding figures in the USSR and the Hungarian People's Republic were about 27 and 24 percent respectively. In spite of that, economic efficiency of capital investments continues to decline.

The investors cannot be blamed; they were assigned limits and, naturally, want to build. They represent societal demand and expect the construction sector to meet it. But the development of construction capacities is being determined by the plan and not by market demand. The construction industry is incapable of responding spontaneously to market demand (which is not even desirable) but is at the same time unable to resist the pressure exerted by high demand. Therefore, the solution is not, or not only, in raising the construction potential to meet demand but primarily in the purposeful coordination of societal demand with both the formation of resources and the existing possibilities to expand construction capacities.

But this balance and the desirable proportions must already be incorporated and routinely adhered to at the state plan level. Therefore, the state plan's projections, comprehensiveness and balance must be improved and the conditions called for in the plan kept relatively stable to create an effective tool for the balanced development of the economy which would gradually help solve the problem of overextension of construction capacities instead of fostering it.

Prices are a second and no less serious problem. Let us consider, for example, so-called comprehensive prices in residential construction. These are in essence firm maximum prices representing the price ceiling for construction organizations. But

within the comprehensive price costs do not stay put. In spite of various directives and prohibitions prices of materials and products keep rising. This is a natural consequence of innovation: increasing the usefulness of a product is or should be accompanied by a price change. Forbidding such a change in effect results in artificial inhibition of innovation which objectively is highly desirable. And what applies to suppliers of materials and products should apply equally to suppliers of building construction who, instead, are compelled to charge comprehensive prices.

The disparity between rising costs of products used and fixed comprehensive prices reduces profit while, according to the plan, construction organizations are expected to increase their profits instead of reducing them, and not by little at that. (specifically by 21 percent in 1980). While it is true that some of these price imports were considered last year and are expected to be reflected in the plan this year, it is still only a compromise which essentially does not solve the problem. The issue is not only the fulfillment of the plan but the formation of the real volume of profit as the material basis of khorraschet. Without adequate profit the economy cannot be managed according to khorraschet rules which constitute the key stipulations of the Set of Measures.

If we are to show a profit, we must be able to create conditions for its formation which includes the ability to influence either prices or the production program (naturally also priorities). In reality we have only very little influence over them. The production program, with few exceptions, is being passed on to us by order from above and the inflexible price-setting method prevents differentiation between various types of construction, such as, high priority projects where early completion and high quality are required and other construction projects; or between a construction project adjoining a technical production base and one detached from it. But nothing affects costs accruing to construction enterprises more than having to undertake projects exceeding their construction capacity which only increase their over-extension further--these increased costs are reflected neither in the price nor are they considered in the plan.

Comprehensive Approach Required

Naturally, there is no easy solution to these problems. The solution must be comprehensive and the approach to it systemic and only the central authorities can provide this.

But from a VML viewpoint the implementation of the following measures can help reduce overextension:

- reducing overextension already in the reproduction plan of capital assets by balancing investments with profit formation and the developmental potential of construction and other capacities;
- extending the time allowed for starting construction projects to at least 3 years to forego the socially detrimental pressure for construction starts, in reality partitions before the end of each calendar year only to prevent lapse of the deadline;
- examining and, if need be, deferring deadlines for the completion of all projects under construction to enable construction enterprises to catch up with their old obligations and pace themselves according to their construction capacity;

--leaving the decision on accepting commissions for the construction of socially less important projects to the discretion of construction VUL's and establishing thereby a balance between developing public demand for construction and the potential for satisfying it;

--rendering the decisionmaker, not the construction organization, accountable for the economic consequences of decisions to undertake a socially important construction project (mandatory projects assigned by central authorities). This means setting an appropriate price or at least acknowledging in the plan the demonstrably higher costs accruing to the construction organization as a result of the assignment;

--and, finally, last but not least, permit flexible price setting to remove unnecessary impediments to innovations. Artificially established price stability is an anachronism whose consequences counteract economic development. One way or another, price adjustments have to be made from time to time whose negative impact on the population is then the greater because of their suddenness; in addition, most of the time the price does not reflect cost and loses its critical function. An example are sales prices of construction parts and prefabricates which remained stable for 3 years and which are to be raised by 20 to 30 percent suddenly by 1 January 1982. This procedure raises the question of whether expenditures set down in the plan reflect the actual need of socially necessary labor and whether the planned gain is a profit at all. This is a serious matter because what cannot be measured cannot be properly managed either.

The Set of Measures is undoubtedly an important step in raising the effectiveness of economic management; but its impact must continue to be verified and improved which is the real thrust of the above comments and suggestions.

We fully approve of and support the timely critical words Comrade Gustav Husak, general secretary of the CPCZ Central Committee, said at the okres conference of the Gdansk CPCZ in February on the question of managing capital construction and specifically on the problem of excessive numbers of uncompleted projects.

We are fully aware of our own subjective shortcomings and mistakes committed in our managerial capacity and we are determined to correct them. But we believe that failure to identify existing objective shortcomings and impediments would be equally unproductive and politically shortsighted as using them as an excuse. The fight against undue overextension of construction organizations and for improved dynamics, quality and effectiveness cannot be waged in isolation but must be coordinated at all levels of management from the central authorities down to individual plants. We must go to the root of the problem and all work together consistently toward its solution. It is the only way.

8024
CSC 1409/195

TECHNOLOGICAL DEVELOPMENT FINANCING CONCEPTS SINCE 1981 VIEWED

Prague FINANCE A UVER in Czech No 3, 1981 pp 196-205

[Article by Eng Milan Blatný]

[Text] The functioning of technological development is conditioned by a wide range of factors, and therefore, even its financing has to be viewed within its broadest contexts. Technological development is able to act effectively only in an environment that is demanding from an economic standpoint and therefore, it is of fundamental importance for overall effectiveness to be the mainstay of a planned management system. Technological development must be an economic necessity for an enterprise as well as a *khorraschet* [cost-accounting] advantage, a means for achieving improved economic results, and a stimulus for an enterprise. Under conditions where there is no demand for effectiveness, of necessity, even the greatest stress on the goal of technological development has little effect, and even such logical incentive for technical development as the shortage of manpower and the rising demands of the foreign markets for quality and technological level remain without suitable response.

Many times, it is considered that the road to a more effective inculcation of technological development lies in having it become the foundation of management, a starting point of economic activity, and an index for rating enterprises etc. However, the greatest emphasis on technological development of itself alone, and without anything further cannot, for example, lead a production facility, into ineffective dallying or into delaying the implementation of high technology into production, etc., nor can it lead it into economic efficiency and effectiveness. Anyway, an index of new products for evaluating enterprises says nothing about the kinds of investments that are used for manufacturing these products, and the values that they will bring on the foreign markets. Such effects can, on the other hand, only be attained through the action of the entire planned management system directed toward general effectiveness, which creates a climate for innovation and opens the way to technological development.

Thus, merely partial measures, or measures concerning only the research and development foundations cannot bring about the functioning of technical development, but only the entire planned management system, and therefore, also, the measures that influence technological development indirectly and never directly can do this. This principle has to be respected even in the methods of financing technical development. The main figure in technological development is the

implementer, as the khosraschet unit inculcating innovations into his own activities, which also concretely applies to the construction supplier, the production enterprise, or the planning organization.

Of course, the principles of management and planning in this field, i.e., in the technological development subsystem, are also important for financing technological development. The circumstance wherein the technological development plan is compiled by a research facility fosters the predominance of a problem-solving viewpoint over the standpoint of implementing the results in practice, over approaches to effectation. This manifests itself in significant measure in other instruments, for example, in critical analyses, statements, inspections, etc. The method of reporting the progress of research and development work only rarely is a guide for the implementer for appropriately initiating preparatory implementation work. Such results of solutions are often evaluated more from the standpoint of the assignment, than from the standpoint of the implementer's needs. The fact that considerable numbers of research tasks, the objects of which are technological innovations applicable to VML (economic production unit) and enterprises, are included in the state plan and therefore managed by central organs and financed from the state budget also plays an important role for the financing method. A role is also played by such questions whereby the contents of sources for financing research and development even have to determine the necessity for providing for (balancing out) the needs of problem-solving (research) capacities, even without direct connection to the requirements of the implementers. As concerns the technical sectors of the VML and enterprises, at times attempts manifest themselves that are aimed at some sort of technological development independence, which, for example, also shows up in cases where the technological development funds are also regarded as a source for covering administrative, management, and planning activities in technological development (central organs and VML at times permit the working out of draft technical development plans and various organizational guidelines for planning and managing technological development in a research institution or special purpose organization, and this work is financed wrongly from the technological development fund).

I considered it necessary to cite these several brief notes by way of an introduction, because they make it possible to understand not only the main principles of the changes, but also the reasons for the changes and their connections in the financing of technological development.

From a legal administration standpoint, the financing of technological development is limited especially by these legal regulations:

--CSSR Government Order No 161/1980 of the Collection of Laws, concerning the finance management of VML's and enterprises, which defines the central organs and organizations that form technological development funds and control the coverage of above-plan outlays for the innovation process from departmental reserve funds;

--Statute No 162/1980 of the Collection of Laws on the financing of capital asset replacements, which regulate the nonmonetary activation of semimanufactures, machinery, and equipment developed within the framework of research and development work as pertains to capital assets and the use of research and development results in the modernization and restructuring of capital assets;

--Statute No 163/1980 of the Collection of Laws on financing noninvestment expenditures for the development of science and technology, which applies especially to the state budget expenditures for technological development, the formation and use of technological development funds, the financing of research and development, and revenues from the state budget and the technological development funds resulting from the solution of technological development problems;

--Statute No 164/1980 of the Collection of Laws on financing current assets, which defines the objects of a capital asset nature which are considered sources for the purpose of solving research and development work, and which establishes the conditions under which these objects can be considered to be sources.

Sources of Technological Development Financing

The organization which plans to use the results of technological development in its own activity, meaning the implementer, finances:

-the solution of research and development work contained in the technological development plan;

--the purchase of research results already solved somewhere else in our country, or the purchase of passive licenses from abroad;

--work that is needed for using inventions and improvement proposals, standardization work, and tasks of type classification and experimental verification in construction, insofar as these tasks are an object of the plan for design-planning work of a noninvestment nature.

In the case of purchase of research results, what is involved is the repeat use of research and development, i.e., a case where these tasks had already been solved and financed within the framework of a technological development plan, and the implementer subsequently takes over their results from the solver or the initial client. Expenditures for the purchase of research results and foreign licenses only amounts to about 4 percent of the expenditures for the execution of research and development work, which, in addition to anything else, points to the lack of applicational approaches and to efforts to solve problems from the beginning, which is slow-going and expensive and is one of the impediments to a more effective innovation process. For financing research and development work, therefore, the implementer would have to approach it on the basis of economic calculation if the application of solved results would be less effective.

The offering and sale of completed research results to other interested parties is promoted by a new statute on financing technological development, to the effect that 2 percent of the sum of the returns belong to the supplier. For an economic organization, funds obtained in this way are a source of its cultural and social services fund.

Research and development work included in the technological development plan is financed:

- from the state budget;

- from departmental, sectoral, and enterprise technological development funds;

- from the departmental technological development funds of central cooperative organs and from the enterprise technological development funds of production cooperatives;

- from special sources of the ministries of forestry and water management (so-called air cleanliness fund);

- from special sources of institutions of higher learning (so-called auxiliary economic activity);

- from the technical development fund of the SNBS [State Bank of Czechoslovakia].

For pumping these sources into the financing of research and development work, of fundamental importance are the new provisions whereby the research and development work accomplished for internal use (i.e., carried out at one's own expense), which are also conducted to a much greater extent than in the case of capital investment, and are estimated as part of actual costs, irrespective of source of financing. By estimating in actual costs, the concrete idea in mind is that individual costs are determined in actual costs, and indirect [fixed] costs are determined in the interest rates of preliminary calculations and that profit is not calculated in the values of these enterprise subdivision outputs. Previously, research and development work was estimated in the plan investments.

The purchase of the research results from domestic sources and passive licenses from abroad is financed within the framework of investments for the appropriate activity in which these results or licenses are used.

Inventions and improvement proposals, standardization work, and type-classification assignments and experimental testing in construction (insofar as they are an object of the plan for design-planning work of a noninvestment nature) are financed from production funds with appropriate time differentiation.

The implementer, therefore, usually finances technical development (see Diagram No 1):

- from the technological development funds and from the state budget;

- within the framework of the costs of a given activity;

- from production funds with the appropriate time differentiation.

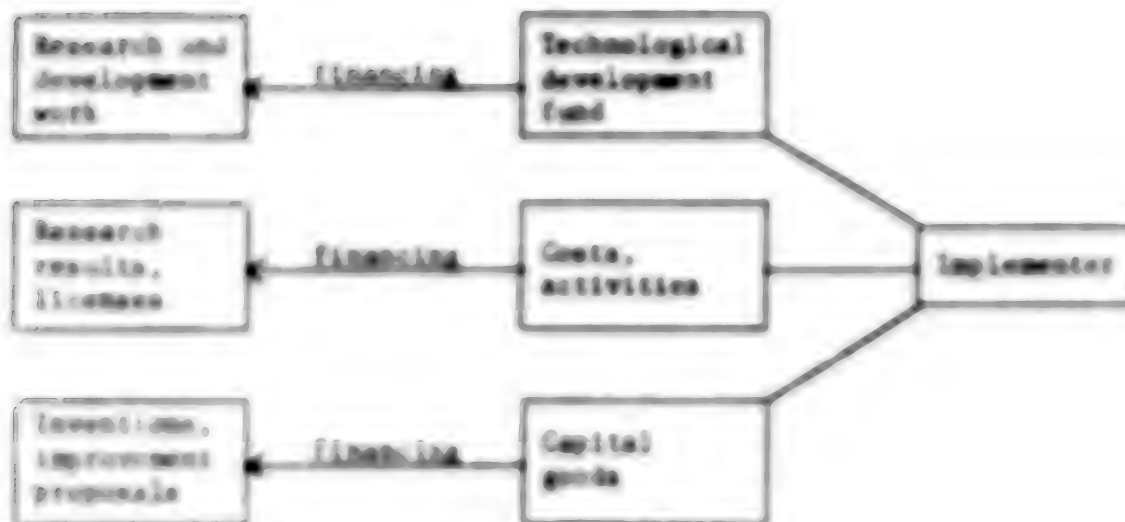


Diagram No 1

Capital Formation for Technological Development

The problems of the technological development funds are concentrated in several main areas: which organs and organizations form the fund, the disposition of the fund in enterprises that belong to a VML, the method of fund formation, supplies to enterprises from the fund, the combination of fund resources, and the remaining balances of the fund. It must be added here that in contrast to most financing funds, technological development funds are formed on the account of costs.

The central organs, VML, and enterprises, which are supposed to form a technological development fund, are established by USSR Government Order No 161/1980 of the Collection of Laws. By decision of the VML, all sources for technological development in the VML are concentrated into a branch technological development fund or else certain enterprises form an enterprise technological development fund. Since an enterprise does not form an enterprise technological development fund, but rather, a part of its approved economic plan is the enterprise technological development plan, the tasks of this plan are financed from the technological development plan of its superior organ.

If the VML are supposed to be built like a basic management link responsible for the regular supply to the national economy of products of the branches it is charged with, in the needed product mix and quality as well, and if there is to be a more effective combination of production factors, the VML as a whole has to manage, plan, and finance the basic production and technological innovations. With this concentration of management of technological development at a VML, however, it will be necessary to settle certain problems of a material rather than financial nature. Within the framework of a VML, the enterprise assignments as a rule constitute many tasks, although they are small and about 600,000 in value. Such tasks were formerly called TDO (Technical and Organizational Measures), although with the passage of time, they began to be planned,

presented and argued, etc. as research and development, which, of course, is more demanding administratively. If the VNI are to master this administrative system, they have to introduce a certain kind of order into the enterprise tasks, so that the technological development of the VNI as a whole can be planned and managed from a single location.

Without a doubt, in practice, one encounters the circumstances where, in contrast to some other financial funds, the formation of the technological development funds is simple and not demanding from an administrative standpoint. The level of these funds is set in the financial plan as an absolute amount providing for the medium-term technological development plan, and an amount providing for carrying through the technological development plan for the current year. Through this method of formation, the authority of the branch ministries and the VNI was also strengthened, because now they themselves are determining the level of the technological development funds. Therefore, in their jurisdiction, they make decisions on the material plan and also make their own decisions concerning the financing provisions. The circumstances whereby the volume of funds for research and development is provided by the financing plan, in direct connection with the material plan, makes it necessary, however, for the needs of the material plan to be properly defined. This would, among other things, also lead to the desired more efficient cooperation of economic and technical sectors of VNI and enterprises.

The following, in particular, must be provided concretely for research and development in the financial plan:

- current calculations of research and development work;
- a protocol of the discussion of supplier-consumer relations in the planning process;
- the implementer's confirmation that the economic benefits that result for his economic activity from the calculation of effectiveness are incorporated in his financial plan (at the same time, this measure ought to be taken for the real calculation of effectiveness carried out by research work locations);
- preliminary price limit of the new product, or limitation of new technology costs.

Currently, the following, in particular, have an influence on the level of funds provided to the research and development financing plan:

- 1) the number and skill structure of research and development workers;
- 2) the volume and nature of capital assets used for research and development;
- 3) total material requirements of research and development;
- 4) innovation demand of the appropriate production or economic activity;

vi) extent and measure of realization of the results of research and development through production and capital construction;

g) the extent and measure of concentration of management and financing of the innovation processes at VNI, or the branch ministry;

h) the extent and measure of introduction of khozraschet principles in providing for innovation, or its coverage from internal sources and from the state budget;

ii) the extent and measure of application of research results and solutions of research and development results.

In vertical management, the opposing financial currents between the technological development funds have been eliminated. For example, subsidies from the ministerial funds for technological development cannot be used to replenish branch funds for technological development from which transfer of funds back to the ministerial funds has been planned. In this way, especially purposeless passing of funds and superfluous administrative activities and complications in the finance plan are eliminated.

Combination of Resources of Technological Development Funds

The combination of resources helps, in particular, to solve intersectorial and interbranch problems, and to limit the otherwise needed centralization and redistribution of resources and the administrative system connected with this. For the combination of resources in technological development, several principles are important. This is mainly the fact that the resources of the technological development funds can be combined on the same organizational levels, i.e., the departmental technological development funds with one another, and the branch technological development funds with one another. The resources for technological development must not be combined by enterprises, since, however this does not concern enterprises managed by national committees (national committees do not form either branch or departmental technological development funds). With the consent of the national committee in charge, it is possible to combine the resources of the enterprises managed by them with the resources even of branch and departmental technological development funds. The branch ministries (VNI), insofar as they ask for the financing of tasks concerning their activities from the state budget (from the departmental technological development fund), must study the possibility of combining the resources of their technological development funds.

Subsidies From Technological Development Funds

The problem of subsidies from technological development funds to enterprises boils down to several main principles: (1) to whom is the subsidy offered; (2) for what purpose; (3) under what conditions, and (4) at what level.

1. The economic management organ must provide subsidies from its technological development funds to a directly subordinate enterprise, which, within the framework of its activity, exercises the function of a head scientific and

technological development site or a center for scientific, technical, and economic information. A ministry must not, therefore, provide subsidies to enterprises within a VUl framework. If it is to the interest of the ministry to have a subsidy granted to those enterprises, it will provide for the formation of a branch technological development fund at a level encompassing the appropriate amount of subsidy or will lower by that amount its withdrawal from the sectorial technological development fund designated for the departmental fund, or it will offer subsidy for supplementing the branch technological development fund.

2. The subsidies must be offered only for planned work, which is the object of the aforementioned activities, and must be used for conducting research and development. This leads to the situation where the range of organizations and research tasks in which this work will be used must be known beforehand with an approximate measure of certainty. Therefore, subsidies must not be offered and used, for example, for the publication of periodicals, for arranging seminars and symposia or propaganda action, for administrative activities, or for the acquisition of equipment, aids and implements for enterprises.

3. In particular, a condition of the provision of subsidies is that the planned work, by virtue of its nature, cannot be an object of marketing activities (supplies), and the costs of such work must not be included with the costs and prices of marketing activities. Insofar as the work conducted would be billed to the users or the costs for it would maintain the form of indirect costs for marketing, subsidization would be superfluous. In the interest of strengthening khosraschet principles, the conditions for subsidization for enterprises have been tightened up even in technological development, and economic management organs would have to care about lowering, or completely eliminating such subsidies.

4. Subsidies shall be made available for assistance grants, and this would be at the level of costs for work that has actually been carried out (i.e., non-profit).

Remaining Balances of Technological Development Funds

The remaining balances of technological development funds and the costs and handling them are a relatively independent problem. There is a definite problem here because, in contrast to most other financial funds, technological development funds are formed to the account of costs. It must be kept in mind that in technological development funds, we are not concerned basically with savings from an economic standpoint, but with the difference between reality and estimation, or the possibility of planning funds with less precision than in production of capital construction. One can judge that the possibility of managing specific capital assets for research and development as sources (according to Statute No 164/1980 of the Collection of Laws), and after resolution, to activate it concomitantly into capital assets (according to Statute No 162/1980 of the Collection of Laws) is a specific departure of investments for technological development, with a higher material demand for research and development or a nonuniformity of these material costs. This condition must also have an influence on the unevenness of these material costs. This condition has to have an influence on the unevenness of demands and the remaining balance of the technological development fund as well.

The remaining balances of these funds are directed in such a way that in the financial plan of central organs for the five-year plan, a limit is set on the maximum remaining balance of the departmental technological development fund, and the excess is transferred to the state budget. Within the framework of this limit, the central organ also has to set a limit to the remaining balance of the branch technological development funds for the subordinate VUJ. The concrete level of the remaining balances is set in the decrees of the CSSR Government on the content of the CSSR state budget.

Currently, the problem of remaining balances is being solved in this way: The unused branch and enterprise technological development funds are transferred to the departmental fund at the end of the year, after the settlement of the expenditures for the tasks and work conducted up to 31 December, or the unused level remains in the branch technological development funds with the proviso that the total of the final remaining balances of the departmental fund and the branch funds for the department as a whole does not surpass 2 percent of the volume of actual outlays for technological development tasks and work. If a departmental technological development fund is not formed in the department, then the total of the final remaining balances of the branch funds must not surpass 2 percent of the volume of actual outlays for tasks and work financed out of sectoral and enterprise funds, and the remaining branch funds that exceed the limit are transferred to the state budget.

Receipts and Outlays of the Technological Development Funds

The Departmental Technological Development Fund is formed:

- by transfer from branch technological development funds at a level and time determined by the ministry;
- by contributions from the outlays of directly subordinated enterprises at a level and time determined by the ministry;
- from receipts for the results of the solution of tasks financed from the departmental technological development fund;
- from contributions to combined funds;
- extraordinary contributions from the budget.

The departmental technological development fund is used:

- for financing research and development work;
- for subsidy for adding to the technological development funds of directly subordinate system members;
- for combining funds;
- for subsidies for the needs of directly subordinated enterprises;

- for financing other outlays for the development of science and technology;
- for a case of transfer of excess balances to the state budget.

A branch technological development fund is formed:

- through contributions from expenditures of enterprises within the VNIJ framework;
- through subsidies from the departmental technological development fund;
- from receipts for the results of the solution of tasks financed from the branch technological development fund;
- from contributions for the combination of funds.

The branch technological development fund is used:

- for financing research and development work;
- for transfer to the departmental technological development fund;
- for subsidies for supplementing enterprise technological development funds;
- for the combination of funds;
- for subsidies to enterprise earnings;
- for financing the remaining outlays for the development of science and technology;
- for cases of transfer of excess balances to the state budget.

The enterprise technological development fund is formed:

- by contribution from expenditures at a level and time determined by the superior organ;
- by subsidies from the technological development fund of the superior organ;
- from receipts for the results of solution of tasks financed from the enterprise technological development fund;
- from contributions for combining funds in the case of enterprises managed by national committees.

The enterprise technological development fund is used:

- for financing research and development work;

--for financing the remaining outlays for the development of science and technology;

--for combining funds in the case of enterprises managed by national committees.

The transfer of contributions from expenditures for forming a technological development fund must be realized no later than 5 working days prior to the expiration of the time-schedule established for sending the accounting reports for the applicable accounting period during which the fund formation took place. The cash of the technological development funds is kept in independent accounts in the bank.

The remaining outlays for the development of science and technology basically signify outlays for preparatory work toward the completion of research and development work.

Financing Research and Development Work

The costs of research and development work and the outlays for the research and development work conducted at one's own cost are financed from the state budget and from the technological development funds. The research and development work, which involves the requirement for the conclusion of an economic agreement, can be financed as of the date of such conclusion. This proviso is there to prevent noncontract supplying, which occurs frequently in the case of research and development.

State technological development assignments are currently financed for the enterprises out of the budget of the branch ministry, never in the form of subsidy as has occurred so far (of course, the use of this methodical change does not change the economic basis of subsidy in the case of these funds). The branch ministries can, however, authorize the drawing of funds from their budgets by the subordinate members of its administration, especially the VNI, which best realize the planned follow-up of technological development and its subsequent implementation during the course of the research-production-sales economic cycle. Higher efficiency of financing of these tasks from the state budget is always being lowered by the circumstance that criteria and conditions for their inclusion in the state plan have not been mandatorily established. It is possible to respond that the tasks included in the state plan are subject to preliminary critical analysis, in which the branch ministries, the SPK [State Planning Commission], the FMF [Federal Ministry of Finance], and the like participate. However, the stands of these organs have to be only recommendations, according to the regulations on critical analysis, and as such are not binding for decisionmaking on including research and development work into the draft state plan. One of the results of this is that frequently the object of the state plan is technological innovations applicable to the activity of the VNI and enterprises which is not in concert with the development of a khozraschet mechanism, especially with the basis of covering internal requirements with internal sources.

The partial share of sources of the enterprise arena on the financing of state assignments is carried out via a double method, and this is either by sharing in the financing of the state assignment, or the complete reimbursement of

certain parts of the state plan assignments. Thus, in such a case, financial counter-currents are eliminated, and therefore, the simultaneous participation in financing of branch ministries and their subordinate organizations. The financing and formation of the financing plan are simplified thereby.

Also, outlays for the production activity of budgetary organizations of research and development bases (VVZ), contributions for production to member organizations of the VVZ and extraordinary contributions to the departmental technological development funds, which are established annually through government decree for the state budget, are noninvestment expenditures of the state budget for technological development which are above and beyond the outlays for research and development. In contrast to previous years, there has been effected a fundamental clarification of the provision of contributions for production to member organizations of the VVZ (according to the methodological guidelines for working up annual financing plans and budgets for individual years of the Seventh Five-Year Plan). This contribution is currently being granted for compensation for work connected with the execution of the function of head scientific and technological development center, scientific, technical, and economic information centers, and patent information centers, e.g., for compensating work connected with the management of technical standardization in a specific branch. It is a prerequisite to the granting of a contribution for operation that the work undertaken cannot, with respect to its nature, be an object of marketing (supplies), and the superior ministry will not accept it. In this way, the *khosraarhet* principles were strengthened even in those organizations, which, along with the obligations to write off fixed assets (Statute No 94/1980 of the Collection of Laws) are creating a prerequisite for the conversion of these VVZ organizations into economic organizations, and in doing so, are substantially simplifying the organizational structure of the VVZ.

The economic management organs finance research and development work out of their technological development funds in cases where they are the subscribers of this work. In all other cases, it is advantageous to grant funds to organizations which are the subscribers of research and development work.

The receipts for the results of the solution of tasks are connected with the outlays of the state budget and the technological development funds for research and development. By such receipts, we mean the funds obtained for the research results (documents, formulas, studies, etc.) for objects developed within the framework of research and development work and put into use as sources and for products turned out during the testing of prototypes and during production testing. In the case of research results, the statute on financing technological development does not, of course, regulate whether these results are turned over among organizations for fee, or gratis, but only establishes whether the funds obtained through the paid transfer of research results have to be returned to the appropriate financing source. Of course, a lowering of state budget receipts and technological development funds takes place with the introduction of non-monetary activation of pilot plants, machinery and equipment developed within the framework of research and development work.

Financing of Passive Licenses

The plan for the purchase of various licenses from abroad, including the appropriate foreign exchange outlays, is a component of the state plan for the development of science and technology. The koruna funds are provided for in the budgets and in the financial plan according to method of use of the license, i.e., for capital construction, production, and operations, or for research and development work.

The outlays for licenses earmarked for capital construction are contained in the overall budget for construction outlays (Chapter VII), according to the regulation on construction documentation, and are financed from investment funds. The outlays for licenses earmarked for production or operations are financed from the operational funds, and with the occasional difference in a case where the outlays for licenses come about only once or occasionally, and depend, from an economic standpoint, on future production or operations. The outlays for licenses earmarked for solving research and development work are included among the outlays for this work, and are financed from noninvestment funds for technological development. There is the condition, however, that the license is not earmarked for use in capital construction or production and operation, and forms an essential, yet not predominant part of the solution and carrying out of internal research and development work.

The material imports connected with the purchase of a license (for example, the initial furnishing of license equipment, special preparations, and components necessary for breaking in current production), by its nature is financed from investment or production funds.

An important part of an agreement on a passive license is the arrangement of the payment of taxes from the profit on the receipts for license payments (Law No 113/1971 of the Collection of Laws, on income taxes and social security contributions). The foreign supplier of the license is the payer of the taxes from the profit on the receipts for license payments. The tax is paid through a deduction from the payments for the license, and this is supposed to be done by the proper organization headquartered in Czechoslovakia. If the domestic organization does not make the deduction of tax from income or does not withdraw the deducted tax, it will be recovered from it as a debt to the state budget, or as a debt to the national committee budget. Since the domestic organization is obliged to pay the tax to the state budget for the foreign payer (this would involve less frequent cases, because the domestic organization pays tax in korunas, whereas the foreign payer pays in foreign exchange), it will pay the tax from its internal funds.

Conclusion

The new decree on financing technological development contains significant, substantive as well as methodological changes. The previous decree partially dealt with some aspects of control other than those which are financial, so that, to a certain extent, it had the characteristics of a handbook. The new decree avoided such a concept because the solution of other problems does not belong in a financial directive, which, naturally, gave it a purely financial

character. The legal handling of the problem of financing technological development must, in addition to meeting requirements for strengthening its planned character and effectiveness, also fulfill the function of an instrument of practical economic management (a factor which is often overlooked in designing management instruments) and, consequently, makes use of numerous measures to promote greater simplicity and to decrease the amount of demanding administrative work. The new legal version also creates better overall pre-requisites for increasing the effectiveness and economy of research and development.

Engr. Milan Blatný

CSO: 2400/182

REFORM'S PRICE POLICIES AND PROSPECTS DISCUSSED

Budapest MAGYAR HIRLAP in Hungarian 27 May 81 p 7

[Article by I. K.: "Meeting of Plan and Budget Committee; Debate About Price Policy; Report by Bela Csikos-Nagy; Adapting to the World Market"]

[Excerpt] There was much debate in many places last year about the newly introduced price system. It was to be expected that if this theme came up again it would again evoke passionate statements. But this did not happen at yesterday's session of the plan and budget committee of the National Assembly. Bela Csikos-Nagy, chairman of the National Materials and Price Office, was the first to give his opinion about the price reform and price policy for the next 5 years; then the representatives gave their views and asked questions. These involved interpretation or information rather than being critical.

Competitive Price Formation

"In the Sixth Five Year Plan," the chairman of the Price Office said, "price policy has a good bit larger role as compared to earlier. Prices must not only have a balance function but also must measure efficiency, the better to orient the necessary structural transformation. That is, the profit-loss contained in the price is an expression of the success, or failure, attained in international competition.

"Competitive price formation was introduced in most branches of the processing industry in 1980 with this goal. (This means that some enterprises can calculate even the domestic prices for their products in accordance with the profit attained in capitalist export, or in accordance with the price increases.) As a result of competitive price formation a close link has come into being between foreign trade prices and domestic prices. Thus the rate of exchange also controls the price level while the purchasing power of the forint is determined by world market inflation, the foreign trade terms of trade, efficiency and rate of exchange policy. For all these reasons it is very important to watch events and processes on the world market.

"According to the forecasts inflation will continue on the world market although its rate will probably be smaller in the first half of the 1980's than it was in the second half of the 1970's. (In the opinion of experts, export prices can be increased by about six percent per year in the non-ruble relationship in accordance with the predicted inflation--under conditions otherwise unchanged. Of

course, one can count on a moderation of inflation only if a restrictive economic policy is followed in the industrially developed capitalist countries and if OPEC does not execute another oil market price explosion.)"

The Effect of the Oil Price Explosion

"Hungarian economic policy opines that the rise in petroleum prices will continue on the world market and that one can expect a 70 percent increase in petroleum prices in contrast to the 35 percent increase in the Hungarian export price level estimated for the 5 years. Nevertheless, the plan reckons with a deterioration in the foreign trade terms of trade of only four percent; and if we carry out the energy conservation program successfully then the hydrocarbon need may stabilize at the 1980 level. We can satisfy with electric power the energy need which was planned at about 10 percent higher than before. If this really happens then it may also be possible to improve the foreign trade terms of trade with structural improvements and a good marketing policy," the chairman of the Price Office said.

"In contacts within CEMA the contract prices follow the world market prices in 5 year averages. As you know, there was a new oil price explosion on the world market, after the one in 1973, in 1979-1980; calculated by unit this exceeded the one in 1973 and it had a significant effect on general world market price development. The price of petroleum which had been around four dollars per barrel prior to 1973 rose to about 11 dollars following the first price explosion; then there was a new increase in 1979-1980 of 15-16 dollars. (Now the price of Saudi Arabian petroleum is around 32 dollars.) The most recent price explosion will make petroleum substantially more expensive within CEMA also in the next 5 years--in accordance with the sliding price system.

"At that time, during planning," Bela Csikos-Nagy said, "we underestimated the price level increasing effect of increasing material prices, especially in industry. The second oil price explosion, via a deterioration in the terms of trade, reduced the accumulation capacity and export efficiency of the Hungarian economy. A significant tension developed in the price system.

"So one of the complex tasks of the Sixth Five-Year Plan is to somehow bring the processes taking place in the world economy into harmony with the standard of living policy, and in such a way as to protect the standard of living which has been achieved. In the system of wage regulation which has developed it will be possible to increase the nominal wage level by 4-5 percent per year, as a function of the increase in productivity which can be realistically expected. So an increase in the consumer price level averaging 4-5 percent can be realized while maintaining the level of real wages. The Sixth Five-Year Plan does not reckon with price measures of the type carried out on 23 July 1979.

"Since the economic reform of 1968 price policy has started from the position that the officially measured price level alone cannot guarantee the purchasing power of the forint. It is also necessary that one be able to get goods for the money, and in a variety justified by the production structure of the country, by the standard of living which has developed and by consumer habits. Thus the price policy can be successful only if the price functions as a balance price, if the price mechanism is flexible and if relative price stability is realized.

"The consumer price development of last year shows that central control of the consumer price level can be effective even in a price mechanism which has been liberalized to a greater extent than earlier. The people's economic plan prescribed a 9 percent consumer price level increase for 1980; in actuality consumer prices rose by 9.1 percent. This developed as an average of price increases and price decreases. For example, the prices of fuels, wood materials, some durable household items and clothing items and fees for repair services and taxis were increased centrally; but prices were reduced for a number of clothing items, for example worsted textiles and mens garments made from them and for stockings. Prices of tea, coffee and certain body care and cosmetic items moderated further also."

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June 24, 1981